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THE WASHINGTON POST
30 June 1981

JACK ANDERSON

Sticky-Fingered Former Spook's Story Recounted

By the nature of their work, undercover agents are given wide latitude in the way they spend the money allotted for their operations. It's an open invitation to steal with little chance of getting caught.

This is the story of one sticky-fingered spook who responded to the invitation with a degree of greed that is impressive even in the world of clandestine double-dealing. He stole impartially from the U.S. government, from his associates and from the dictators with whom he did business.

The swindler is Edwin Wilson. He worked with another ex-CIA agent, Frank Terpil, who was convicted in absentia of illegal munitions dealings. Both are on the run after being indicted for illegal arms sales to Libyan dictator Muammar Qaddafi. Wilson is hiding out in Tripoli; at least he was until a couple of weeks ago.

By all accounts, Wilson is a shrewd, cold businessman who lets neither sentiment, patriotism nor simple morality stand in the way of a lucrative deal. When his mother died several years ago, he flew off to Libya on business the next day and missed her funeral.

In his years as a CIA contract agent, Wilson either resisted the temptation to profiteer or was able to cover his tracks. He was involved in the Bay of Pigs fiasco, as well as the subsequent secret war against Fidel Castro, which included a cockamamie scheme to have trained dolphins attach explosive charges to Cuban ships.

It was when Wilson left the CIA that opportunity knocked. He joined the Navy's supersecret "Task Force 157," a group of about 75 agents who gathered intelligence around the world under the cover of export-import operations.

Wilson's assignment was to set up a "front" firm called Consultants International, through which agents would be run and supplied. It was a joint CIA-Navy operation: The Navy gave the orders, the CIA paid the rent.

Terpil told a confidant that Wilson made a fortune from Task Force 157. Wilson was the paymaster for his agents, Terpil explained, and would charge the government $20,000 a head, but pay some agents as little as $11,000 and pocket the difference.

Terpil also said Wilson once was given $70,000 to buy a Soviet mine. But he never bought it, claiming that his contact had absconded with the money, or some such excuse.

Wilson also made a bundle from the then-shah of Iran through his CIA-Navy front. Sources told my associate Dale Van Atta that Wilson had particularly good contacts in Iran during the shah's regime, including members of the American group that advised the Iranians on military purchases. Wilson had access to the "wish list" of equipment for Savak, the shah's dreaded secret police, and was once paid by a private contractor to eavesdrop electronically on meetings of Army supply officials at the Pentagon.

At one point, Wilson arranged — for a healthy commission — to have a fishing vessel, fitted with spy gear, constructed in Ireland for the Iranian Navy. The $400,000 boat snapped its propeller en route to Iran and had to be towed to a South African port for repairs.

On another occasion, Wilson contracted with the Iranian military for 9 million pairs of socks, at $3 a pair. He was paid in full but delivered only 100,000 pairs. He also sold the Iranians boots and barbed wire.

The full extent of Wilson's thievery may never be known, but he managed to acquire a 1,500-acre ranch and other properties worth millions of dollars, supposedly while working as a middle-level government employe.

Word of Wilson's depredations eventually reached Adm. Bobby R. Inman, now the No. 2 man at the CIA, who was in charge of Task Force 157. With the nerve of a burglar, Wilson offered to set up another, similar task force and said he'd help get the necessary funds from Congress if Inman would grease the skids for Wilson's own companies. The outraged admiral responded by having Wilson fired from Task Force 157. Soon after, Inman disbanded the group.

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THE WASHINGTON POST
30 June 1981

CIA Is Lowering the I
Closing More Shutt

By George Lardner Jr.
Washington Post Staff Writer

The CIA has decided to go underground again.

It is no longer necessary, CIA Director William J. Casey announced in a newsletter circulated in the agency last week, to spend much time justifying the agency's activities or defending the quality of its work. In his view, "the difficulties of the past decade are behind us."

As a result, contacts with the press and public, which have already been cut back, will be reduced still further. The CIA's office of public affairs will be closed and its work assigned to a new section that will also take over legislative liaison.

Both assignments have had high-level status since disclosures of CIA domestic spying and other misdeeds prompted a series of executive branch and congressional investigations in the mid-'70s. That was a time, Casey noted, when the agency "was still encountering considerable criticism in the media and the Congress and when it was important to expend considerable effort" explaining and defending the agency's work.

Apparently confident that a "trust us" atmosphere has returned, the CIA director said he feels "the time has come for CIA to return to its more traditional low public profile and a leaner, but no less effective, presence on Capitol Hill."

The head of the office of public affairs since 1977, former Navy captain Herbert E. Hetu, reportedly disagreed with the decision to downgrade the work and will be leaving the agency as a result of the shuffle.

The reorganization comes on the heels of Casey's March orders to halt the occasional background briefings that the CIA had been providing reporters since the days of Allen Dulles. Casey took that step on the grounds that the briefings took up a lot of time and were not a proper undertaking for an intelligence agency.

The CIA's office of legislative counsel, headed by Fred Hitz, also will be downgraded. Its legislative liaison duties, along with the public affairs work of Hetu's staff, will be taken over by branches of a new office of policy and planning under CIA veteran Robert M. Gates. The work of drafting legislative proposals and analyses will be turned over to the CIA general counsel's office.

Gates will report directly to Casey and CIA Deputy Director Bobby Inman. He will also retain his present duties as their executive staff director for the intelligence community.

The change will take effect tomorrow and could result in a reduction in the issuance of public reports and studies under the CIA imprimatur. Inman, who formerly headed the supersecret National Security Agency, is known to feel strongly that some and inconsistent with providing the policymaker with a timely, crisp forecast that incorporates clearly defined alternative views."

For years there has been some bitterness in the intelligence community because the national intelligence estimates have been predominantly CIA products, with dissents from other agencies usually relegated to footnotes.

Casey said he had decided to organize the cadre of national intelligence officers, who are in charge of drawing up the estimates, into a formal National Intelligence Council. The council will report directly to Casey and Inman and the council's chairman, who has yet to be named, will serve as a chief of staff over the other officers.

Staff writer Michael Getler contributed to this report.

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ON PAGE A1

THE WASHINGTON POST
15 June 1981

Recouping Under Reagan

CIA Is on the Rebound

By Michael Getler
Washington Post Staff Writer

The Central Intelligence Agency, whose public image and private morale have been battered during much of the past decade, appears to be regaining some of its lost money, manpower and maneuvering room under the Reagan administration.

In Director William J. Casey, a long-time friend and political adviser to President Reagan, the agency has perhaps more clout in the White House than ever.

In its deputy director, Adm. Bobby Ray Inman, the former chief of the super-secret National Security Agency, the CIA has one of the nation's most respected professional intelligence officers to brush up the analytical product and keep tabs on technological prowess. Some senior CIA officials believe that Casey, 68, may not stay in his post for Reagan's entire four-year term and that Inman is heir apparent.

In Vice President Bush, the agency has another godfather at the highest levels of government. Bush, a CIA director under President Ford who is, according to agency officials, very proud of his days at the agency, played a key role during the transition period in helping turn Reagan toward the CIA.

Bush, insiders say, convinced a reluctant president-elect Reagan to let the CIA brief him every day on the global intelligence picture — even when he was in California — so that the president would quickly develop a feel for the evolution of events rather than be exposed only to special or occasional situations.

CIA's secret, multibillion-dollar budget is going up substantially. Though sources say this actually began in the final year of the Carter administration after events in Iran and Afghanistan, it is clear that it will keep going up under Reagan.

Officials say the agency, for the first time in years, has money to hire analytical specialists for areas of the world previously neglected, for more linguists, and to pay for more trips abroad by analysts.

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Hugel has no experience in spy operations, but his post is the most sensitive in the CIA and involves overseeing the agency's entire overseas spying operations. Many intelligence officers, active and retired, were aghast at putting an amateur in such a job, while a few others thought it mostly an attempt to jolt the crusty world of spying with some business world experience.

But things have quieted down and one veteran intelligence officer offers a different way to view the appointment. In this view, Casey, a high-ranking officer overseeing intelligence operations in Europe in World War II, wants to run the clandestine operations himself and wants only a trusted friend between him and the operations.

Whether this means that CIA eventually will return to its heyday of covert intervention abroad, including assassination attempts, as well as its occasional dabbling in domestic activities on the fringe of its charter, is not known.

While the improvement in the overall situation at CIA is seen by many officials as necessary to bolster U.S. intelligence, the largest problem for the agency, and for the government and citizenry as well, may come in keeping the CIA from once again going too far afield within an atmosphere far more congenial than that of the mid-1970s.

The key document that is supposed to define what the CIA can and cannot do is Executive Order 12036, put into effect by President Carter three years ago as an outgrowth of the Senate committee investigation.

CONTINUED

TEMPLE TELEGRAM (TX)
9 June 1981

STATINTL

Admiral At The CIA Believes In Keeping Public Informed

By SARAH McCLENDON

The four-star Navy admiral who now, as deputy director of the Central Intelligence Agency, holds so much of the nation's fate in his brain is a great believer in education. He wants the American people to know what the CIA stands for and what it is doing. The reason the CIA has fallen into such depths of criticism, he feels, is that it left the people out of its informational operation.

Bobby (not Robert) Ray Inman 50 years ago was born in Rhonesboro, Tex., a town so small he has to tell you it is between Gilmer and Quitman.

He did not come from the naval academy like most admirals do. He graduated from the University of Texas with a B.A. degree in 1950 and the next year went into the Naval Reserve.

Inman served in Korea, in the Pacific, at the paper war in the Pentagon, the staff war near the top in the Navy and finally in intelligence at the Department of Defense. After 30 years in intelligence, he became its first specialist to be chosen admiral. He talks off the cuff, but he says things in simple language that people can understand.

"We have just flat failed to keep the country informed at a time of growing concern," he says. "People should not be taken so lightly.

"What the Soviets do, now that they have more power than they ever possessed before," he says, "will depend on their judgment of U.S. capabilities and the U.S. attitude toward defense."

He predicts the Soviet Union will test the United States not in nuclear war in which "they know the whole world would lose" but in conventional warfare. He sizes up the Soviets as being "interested in a war they can win." In the United States, he thinks too much emphasis is placed on strategic planning and not enough on conventional readiness.

Inman shows how the Soviets advanced after World War II. They began to talk about defense of their perimeters by 200 miles, then increased every few years — to 600 miles, to 1,500 miles in 1969, to fleets in the Mediterranean Sea, the Caribbean and Indian oceans, off Vietnam to global warfare with the Cubans acting as surrogate fighters in Angola, to Ethiopia, South Yemen, Southeast Asia again and finally Afghanistan, where, he says, "They used their own troops as it was too expensive to bring in the Cubans."

The CIA is now taking a hard look at who the next Soviet leaders may be, since the present leader is ailing.

Adm. Inman would like to see more U.S. attention given to the importance of the worldwide scramble for strategic metals.

The admiral has a different answer when questioned about the usual criticism over the volume of waste and fraud in the U.S. military. He says the reports usually publicized are those adverse ones from the General Accounting Office. For every one of those, he could cite a like number showing exceptionally good management in the Pentagon.

Fraud, Inman says, is negligible in the Pentagon, but waste is often recounted. He thinks the military is better managed and more efficient than private industry, citing numerous studies to prove this. He would like to eliminate the "layer upon layer" of thinkers in the military who bring indecision to the conferences.

The admiral has another distinction. When confirmed for his new appointment by the Senate, he received the support of Edward Kennedy, the liberal Democrat from Massachusetts, and Jesse Helms, the ultra rightist Republican from North Carolina.

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ON PAGE 8

THE BOSTON GLOBE
1 June 1981

[redacted]

CIA draws cloak of secrecy tighter

STATINTL

By Daniel F. Gilmore
United Press International

WASHINGTON -- The Central Intelligence Agency, under Director William Casey, shows signs of fading away – not from its intelligence duties, but from public view.

Two hints the agency is pulling its cloak tighter are its decision to halt private briefings for reporters and the announcement it is "reviewing" its array of publicly available publications to determine which should remain public.

Orders for the moves were said to have come directly from Casey, chief of secret intelligence in the World War II Office of Strategic Services, who was a key figure in President Ronald Reagan's campaign organization before taking over the CIA.

No announcement was made about the end of the reporters' briefings, which were conducted by CIA analysts at the agency's Langley, Va., headquarters, but a spokesman said, "It is a decision made in the agency to cope with an imposition on analysts' time."

The briefings, requested by reporters, generally involved unclassified material concerning political and economic affairs in foreign countries. The spokesman said 125 such briefings were conducted in 1980, down from a high of 247 in 1975.

As for the review of unclassified publications, the spokesman said, "there are no preconceptions on the review. It is a review."

The materials – emblazoned with the CIA symbol – cover such subjects as Soviet oil production, world grain production, Soviet weapons expenditures and leaders of Communist-ruled countries. The agency also publishes excellent gazeteers, including detailed maps of areas in the news.

The briefings for reporters were arranged by the CIA's Office of Public Affairs, which was established in 1977 by former CIA director Stansfield Turner. The office, headed by former Navy Capt. Herbert Hetu, has a staff of 14.

According to a statement, the public affairs office "still has the responsibility of protecting (intelligence) sources and methods and preserving secrecy but no longer is encouraged to say as little as possible about the agency."

That may change under Casey, who has yet to give a formal news conference, although he has answered questions at many public meetings.

Casey, 68, is not averse to public appearances – in the month of May he spoke publicly six times – but he keeps his distance from reporters.

It also may be significant that Casey chose Adm. Bobby Ray Inman as his deputy. Inman was the head of an intelligence branch even more secret than the CIA – the National Security Agency.

The NSA monitors foreign communications and codes and protects the security of US secret channels.

It has never had any contact with the press and is not even listed in the Congressional Directory of government agencies. It is part of the Defense Department and reportedly has a multi-billion-dollar budget, but is not listed in the Pentagon phone book.

The CIA had no office or person responsible for answering media queries when it was created in 1947. Beginning in 1951, the CIA designated an official – initially a military man – to deal with the press.

The agency, in a statement several years ago, said it had moved into the public-affairs area "with no little trepidation," but was forced by unfolding events to become more visible.

"Hard as it tried . . . the agency could not avoid the spotlight. Indeed, the public affairs function at CIA developed largely in response for a need for crisis handling – a kind of ad hoc evolution by flap."

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U.S. NEWS & WORLD REPORT
1 June 1981

CIA About to Start on The Comeback Trail

The nation's battered espionage service is promised more money, manpower, protection. Still needed: Cure for spies' slumping morale.

America's foreign-intelligence apparatus, tarnished by scandal and beset by budget and management problems, is on the threshold of a massive rebuilding effort.

In prospect: More money, more manpower and a renewed emphasis on clandestine operations abroad.

Behind the effort are William J. Casey, the director of central intelligence, and his deputy, Adm. Bobby Ray Inman—two intelligence veterans who are committed to strengthening not only the Central Intelligence Agency but all of the nation's spy units.

The job will not be easy. Years of budget cuts have left the agencies short on manpower and with morale at rock bottom. The number of workers engaged in overseas missions and analysis, for instance, has been chopped 25 percent over the past decade. Linguists and other experts are especially scarce.

Well-connected pair. But change already has begun under Casey and Inman, who are seen as a powerful team. Casey, a millionaire lawyer, author and entrepreneur, was Ronald Reagan's campaign manager and has a close personal relationship with the President. Inman is a career intelligence officer—described by one senator as "the outstanding intelligence expert in the world"—who headed the supersecret National Security Agency during the Carter administration.

Convinced that America's intelligence system is very good but not nearly as good as it could be, they are asking Congress for about 10 billion dollars—an increase of at least 7 percent—to support the dozen agencies that make up the foreign-intelligence community.

About a fourth of the secret budget goes for the battlefield-intelligence systems used by the armed forces. The rest supports efforts to keep track of events throughout the world that could affect the security or vital interests of the United States. Of the 10 billion, most is earmarked for spy satellites and other intelligence-gathering technology and relatively little for the CIA itself.

Despite all the emphasis on a bigger budget, however, Casey's immediate challenge is to rebuild morale. The CIA, says its chief, "suffers from institutional self-doubt."

Morale, which began plummeting amid revelations of intelligence abuses in the mid-'70s, hit a new low during Adm. Stansfield Turner's four years as President Carter's intelligence chief. By one estimate, 2,800 CIA officers retired—many of them prematurely—during his controversial tenure.

Some observers say that Casey, a crusty former World War II spymaster, already has made substantial headway toward bucking up flagging spirits in the agency.

"There has been a rebuilding of morale," says one former official. "Casey

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able to correctly judge the outcome of political developments that could have damaging consequences for the United States. Casey acknowledges that "often intelligence is expected to predict what course a country will take when the leaders of that country themselves don't know what they will do next."

During the Iranian revolution, for example, the CIA had on the payroll only one first-rate analyst on Iranian politics—a man who had not been able to visit the country recently and who was hampered by inadequate reports of what was happening.

The potential for another intelligence breakdown is large, say sources. There are many countries for which the CIA still has no full-time analyst. This means that in times of crisis an expert in another field may be called upon to make snap judgments on a country whose language he does not speak and that he has never visited.

Powerful team takes over. CIA Director Casey, left, has strong links with Reagan White House, while Deputy Director Inman ranks among world's foremost intelligence experts.

MARION TRIKOSKO—USN&WR

ON PAGE A-14
1 JUNE 1981

Issue and Debate

Tighter Security Rules for Advances in Cryptology

By WALTER SULLIVAN

The Japanese Navy was defeated in World War II largely because American code-breakers had deciphered Japanese intentions before the pivotal Battle of Midway. Cryptography played a key role several other times in that war.

Today, however, it is confronted with a two-edged crisis, and there is some doubt that it will ever play so significant a role again.

Some specialists believe that thanks to computers, cryptography has become so impenetrable that the days when great powers could "read each other's mail" may be nearing an end. At the same time, as interlocking computer networks proliferate, secure coding systems are becoming essential to safeguard the national economy, individual businesses and personal privacy.

These developments have led to a confrontation between the National Security Agency, responsible for deciphering the communications of other nations and safeguarding those of the United States, and academic specialists seeking to meet the needs of the private sector. Although a voluntary compromise has been reached, it is unclear how wide the compliance will be.

Some academicians contend that increased Federal control of their work will have a "chilling effect." Officials of the security agency fear that public disclosure of coding systems that are increasingly difficult to break will give away its secrets or enable foreign powers to frustrate American code-breaking efforts.

The Background

In 1976, Martin E. Hellman of Stanford University and his colleagues, Whitfield Diffie and Ralph Merkle, conceived a "public key" approach to cryptography, in which one key that can be made public is used to encode the information and a second key, kept secret, is needed to decipher it.

At the Massachusetts Institute of Technology, Ronald L. Rivest, Adi Shamir and Leonard Adleman then proposed a system employing the "public key" approach. Known as the R.S.A. system, it is widely regarded as unbreakable, given present computer capabilities.

In this system the message can be typed into a computer that converts it into numbers and alters them, using a special mathematical key. The recipient must use another key to retrieve the original numbers and text. To reverse the encoding process without the deciphering key, it is said, would require computer processing lasting thousands or even billions of years.

When officials of the National Security Agency learned of these developments, they feared that the academic community was arming foreign cryptographers with ways to foil its deciphering efforts. They sought to take over from the National Science Foundation the awarding of some research grants in this area, including one sought by Dr. Adleman. The agency also asked the Federal Patent Office to impose secrecy classification on some encoding or voice-scrambling devices intended for commercial use, including one developed by Dr. George I. Davida of the University of Wisconsin.

Last year, in response to a suggestion by Vice Adm. Bobby R. Inman, then the director of the security agency, the American Council on Education formed a Public Cryptography Study Group to explore the situation. Dr. Hellman and Dr. Davida were members of the study group.

For Control

Two years ago, as reported by the study group in February, Admiral Inman "publicly indicated his deep concern that some information contained in published articles and monographs on cryptography endangered the mission of N.S.A. and thus the national security." Admiral Inman, who was succeeded by Lieut. Gen. Lincoln Faurer of the Air Force, favored some form of legislated control.

It was argued that foreign powers were aided by the publication of such material as the detailed accounts of public-key cryptography that appeared in Transactions of the Institute of Electrical and Electronic Engineers and then in Scientific American.

Although some scientists always voluntarily offer their work for review, the security agency cannot require that reports be submitted to it for approval, unless the agency has financed the work. The National Science Foundation refers sensitive information developed under its grants to the security agency or to the intelligence officials of one of the armed forces.

One suggested way to achieve the control sought by the security agency would be to make it a crime to reveal sensitive cryptologic information as defined in a statute. Another approach would be to require prepublication review. Compensation would be paid those who suffered financial loss when their invention was made secret.

Against Control

The nation is becoming increasingly vulnerable to clandestine penetration of its computer networks. Information of commercial value can be extracted without leaving any evidence of the theft. Money transactions can be manipulated in subtle forms of embezzlement. Personal privacy can be invaded.

According to Michael Dertouzos, director of M.I.T.'s Laboratory for Computer Science, hostile agents could cause chaos by putting false information in the computers that control the nation's monetary system. Such hazards could be avoided by the use of cryptographic methods to protect legitimate information and authenticate additions.

It has been argued that development and introduction of such methods in the private sector was more important to the nation than concealing them from foreign cryptographers. Dr. Adleman even suspects that such advanced countries as the Soviet Union are already using codes that cannot be broken by any forseeable method.

Dr. Davida, however, is less certain of this. Methods like the public key system are not intrinsically undecipherable. There is always the possibility that someone will find a short cut to its solution, he says. He doubts that cryptography will become so undecipherable that the role of the security agency will become obsolete.

Dissent on Papers

As a member of the study group, Dr. Davida was the sole dissenter from its recommendation for voluntary submission of cryptography papers to the security agency. Computer nets, he wrote, constitute "electronic windows into the most intimate details of people's lives." Even more disturbing, he added, "is that it is usually impossible to know who is looking in." Encryption can serve as a curtain.

In a reference to the American Telephone and Telegraph Company, as well as other communications companies, he said the need for such curtains "is crystal clear in view of the remarkable insensitivity of the common carriers to the public's concern about privacy." Dr. Dertouzos opposes any control over academic research. "A university, to be effective, has to be free," he said in a recent interview. "We are responsible people." Like many of those working in this field, he sends his papers to the National Security Agency. He says, however, that this is "for information only," not for clearance.

Dr. Hellman said that if he was persuaded that publication of a paper would hinder the operations of the security agency more than it would aid the private sector he would be willing to withhold it.

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THE WASHINGTON MONTHLY
June 1981

WHO'S WHO in the Administration

The good news for those who were worried about the administration totally unleashing the CIA is that it probably won't. The director, William Casey, may be a little confused—the joke is he's developed elaborate plans to drop agents behind enemy lines to help the French resistance—but some of his appointments have been solid. Deputy director B. R. Inman hinted that he would resign if a proposal to allow domestic spying went through (it didn't). And the new general counsel, Stanley Sporkin, won high marks as a dogged director of enforcement at the Securities and Exchange Commission. When Nixon administration officials wanted him to pull back from an investigation of Maurice Stans's links to Robert Vesco, he refused. There's reason to hope he'll do the same should he encounter any CIA charter-busters....

FORT LAUDERDALE NEWS (
June 1981

Hugel is no master spy

Appointment shocks CIA

Donald Lambro

WASHINGTON — When CIA Director William Casey appointed his old friend Max Hugel as the agency's chief spy, it sent shock waves of disbelief through the intelligence community.

"It was like bringing in a chief of naval operations who has never been in the Navy," said a former high-level CIA official who has joined the exodus of top-flight talent from the agency in the last several years.

Originally, Casey appointed the 56-year-old Hugel last Feb. 13 as deputy director of administration — a move that sent tremors through the CIA because of Hugel's complete lack of experience in modern intelligence work.

Then, early last month, Casey stunned intelligence officials by appointing Hugel director of operations, a post perhaps second in importance to that of the CIA directorship itself. Even the White House was caught by surprise, having been bypassed in the usual political clearance procedures.

What Casey had done was to place Hugel — who made millions after World War II by exporting sewing machines — in charge of the United States' clandestine operations.

Up to that point, intelligence sources say, Casey had made some shrewd decisions in an effort to rescue the agency from years of decline.

He had come into the job determined to carry out Ronald Reagan's private directive: Restore the agency to its former effectiveness. In that pursuit, Casey has surrounded himself with top intelligence officers. For example, he appointed Adm. Bobby Ray Inman, the former chief of the National Security Agency, to be CIA deputy director.

Inman is held in high regard as having a razor-sharp mind, but his experience has primarily been limited to technological and analytical matters and has had little to do with the dark-side of covert operations.

Indeed, Casey himself, though a highly competent manager, has had only modest experience in intelligence activities, and that was during World War II. He came into his present post uninitiated in the ways of modern intelligence operations.

Thus, among the three top people running the agency, none have had deep experience in clandestine work — which is the paramount mission of the CIA.

How, then, did Hugel — a relatively low-level campaign official — get into his present position?

Hugel had first served as a Nashua coordinator for Reagan in the New Hampshire primary and later was put in charge of the campaign's nationalities and minorities division.

Those who worked with him said he "churned out a lot of paperwork" but was incapable of handling sensitive political problems.

"Personally, he was a very nice gentleman," said a campaign associate. "He was just in over his head when it came to politics."

But Hugel had two people in his corner who admired him greatly. First was, of course, Casey, who was a longtime friend and a neighbor of Hugel's on Long Island, where the two men maintained summer homes.

Second, there was William Loeb, the hard-driving conservative editor of the *Manchester Union Leader*. Loeb was Hugel's patron and pushed relentlessly for his appointment to a high post in the CIA.

Thus, when Casey reassigned Hugel's predecessor, CIA careerist John McMahon, to head the National Foreign Assessment Center, he turned to Hugel instead of pulling an experienced career officer out of the agency's ranks.

"He sent a devastating message to the agency's career employees," said one intelligence officer. "It has had a crushing effect upon morale here."

Over the last four years, more than 2,700 agents have left the CIA's clandestine service — partly due to former Director Stansfield Turner's reduction in force and partly because of Congress' heavy-handed punishment of the agency and the subsequent exposure of its agents.

That exodus is expected to continue as a result of Hugel's appointment, say knowledgeable intelligence sources.

As one former CIA operative put it: "What Casey is telling them (career officials) is that there is no one technically qualified in the ranks to head operations as there has been in the past."

Said a recent CIA retiree: "The guy who heads operations should be the master spy for the United States. In Hugel, we have a man who has absolutely no knowledge of the spy business."